



FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022



WESTERN ENVIRONMENTAL LAW CENTER
FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
 Western Environmental Law Center
 Eugene, Oregon

Opinion

We have audited the accompanying financial statements of Western Environmental Law Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Environmental Law Center as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Western Environmental Law Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Environmental Law Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Western Environmental Law Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Environmental Law Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Jones & Roth, P.C.
Eugene, Oregon
August 13, 2024

FINANCIAL STATEMENTS

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,193,938	\$ 1,430,330
Certificates of deposit, short-term	3,745,642	3,229,570
Accounts receivable	41,162	57,243
Grants and contributions receivable	667,657	1,250,032
Other receivables	58,984	22,855
Prepaid expenses	<u>27,539</u>	<u>5,218</u>
Total current assets	<u>5,734,922</u>	<u>5,995,248</u>
Equipment and furnishings		
Equipment and furnishings	154,873	132,098
Accumulated depreciation	<u>(93,575)</u>	<u>(74,717)</u>
Equipment and furnishings, net	<u>61,298</u>	<u>57,381</u>
Other assets		
Certificates of deposit, long-term	-	485,093
Beneficial interest in the assets of community foundations	64,913	56,645
Deposits	10,918	8,600
Unemployment deposit	10,443	10,443
Operating lease right-of-use assets, net	203,577	157,343
Funds held in trust	<u>39,664</u>	<u>54,305</u>
Total other assets	<u>329,515</u>	<u>772,429</u>
Total assets	<u><u>\$ 6,125,735</u></u>	<u><u>\$ 6,825,058</u></u>

	<u>2023</u>	<u>2022</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 32,038	\$ 86,065
Credit cards payable	20,790	10,053
Payroll related liabilities	113,770	140,371
Operating lease liabilities, current portion	<u>97,422</u>	<u>68,376</u>
Total current liabilities	264,020	304,865
Other liabilities		
Funds held in trust	39,664	54,305
Operating lease liabilities, net of current portion	<u>108,778</u>	<u>90,523</u>
Total other liabilities	<u>148,442</u>	<u>144,828</u>
Total liabilities	<u>412,462</u>	<u>449,693</u>
Net assets		
Without donor restrictions:		
Board designated	1,853,752	1,739,948
Undesignated	<u>3,024,369</u>	<u>2,522,890</u>
Total net assets without donor restrictions	4,878,121	4,262,838
With donor restrictions	<u>835,152</u>	<u>2,112,527</u>
Total net assets	<u>5,713,273</u>	<u>6,375,365</u>
Total liabilities and net assets	<u>\$ 6,125,735</u>	<u>\$ 6,825,058</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Grants	\$ 242,500	\$ 1,125,000	\$ 1,367,500
Contributions	1,096,728	25,000	1,121,728
Service fees and reimbursements	1,172,743	-	1,172,743
Education fees	22,000	-	22,000
In-kind donations	4,839	-	4,839
Miscellaneous	2,200	-	2,200
Investment income	212,694	-	212,694
Change in beneficial interest in the assets of community foundations	8,268	-	8,268
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>2,427,375</u>	<u>(2,427,375)</u>	<u>-</u>
 Total revenues, gains, and other support	 <u>5,189,347</u>	 <u>(1,277,375)</u>	 <u>3,911,972</u>
 Expenses			
Program	3,670,554	-	3,670,554
Management and general	536,306	-	536,306
Fundraising	<u>367,204</u>	<u>-</u>	<u>367,204</u>
 Total expenses	 <u>4,574,064</u>	 <u>-</u>	 <u>4,574,064</u>
 Change in net assets	 615,283	 (1,277,375)	 (662,092)
 Net assets, beginning of year	 <u>4,262,838</u>	 <u>2,112,527</u>	 <u>6,375,365</u>
 Net assets, end of year	 <u>\$ 4,878,121</u>	 <u>\$ 835,152</u>	 <u>\$ 5,713,273</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Grants	\$ 326,000	\$ 3,123,100	\$ 3,449,100
Contributions	1,046,014	100,000	1,146,014
Service fees and reimbursements	1,302,541	-	1,302,541
Education fees	22,000	-	22,000
Miscellaneous	1,200	-	1,200
Investment income	10,669	-	10,669
Change in beneficial interest in the assets of community foundations	(11,426)	-	(11,426)
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,938,022</u>	<u>(1,938,022)</u>	<u>-</u>
 Total revenues, gains, and other support	 <u>4,635,020</u>	 <u>1,285,078</u>	 <u>5,920,098</u>
 Expenses			
Program	3,591,392	-	3,591,392
Management and general	404,243	-	404,243
Fundraising	<u>219,527</u>	<u>-</u>	<u>219,527</u>
 Total expenses	 <u>4,215,162</u>	 <u>-</u>	 <u>4,215,162</u>
 Change in net assets	 419,858	 1,285,078	 1,704,936
 Net assets, beginning of year	 <u>3,842,980</u>	 <u>827,449</u>	 <u>4,670,429</u>
 Net assets, end of year	 <u>\$ 4,262,838</u>	 <u>\$ 2,112,527</u>	 <u>\$ 6,375,365</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (662,092)	\$ 1,704,936
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	18,858	16,018
Change in beneficial interest in the assets of community foundations	(8,268)	11,426
Amortization of operating lease right-of-use assets	93,932	115,419
Unrealized (gain) loss on certificates of deposit	(30,979)	33,831
Loss on disposal of fixed assets	-	3,198
(Increase) decrease in:		
Accounts receivable	16,081	46,585
Grants and contributions receivable	582,375	(893,238)
Prepaid expenses	(22,321)	2,429
Other receivables	(36,129)	-
Deposits	(2,318)	2,240
Unemployment deposits	-	(1)
Increase (decrease) in:		
Accounts payable	(54,027)	63,197
Credit card payable	10,737	(10,297)
Payroll related liabilities	(26,601)	(5,988)
Operating lease liabilities	<u>(92,865)</u>	<u>(113,863)</u>
Net cash provided (used) by operating activities	<u>(213,617)</u>	<u>975,892</u>
Cash flows from investing activities		
Purchases of equipment	(22,775)	(23,166)
Contributions to beneficial interest in community foundations	-	(10,000)
Proceeds from maturity of certificates of deposit	3,250,000	2,749,731
Investment in certificates of deposit	<u>(3,250,000)</u>	<u>(3,750,000)</u>
Net cash used by investing activities	<u>(22,775)</u>	<u>(1,033,435)</u>
Net decrease in cash and cash equivalents	(236,392)	(57,543)
Cash and cash equivalents, beginning of year	<u>1,430,330</u>	<u>1,487,873</u>
Cash and cash equivalents, end of year	<u>\$ 1,193,938</u>	<u>\$ 1,430,330</u>
Noncash financing and investing cash flow information		
Operating lease right-of-use assets obtained	\$ 140,166	\$ 272,762
Operating lease liabilities exchanged for right-of-use assets	<u>(140,166)</u>	<u>(272,762)</u>
Cash paid for operating lease right-of-use assets	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023

		Support Services		
	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 2,314,075	\$ 337,071	\$ 214,492	\$ 2,865,638
Payroll taxes	186,607	27,181	17,297	231,085
Payroll benefits	336,262	48,980	31,168	416,410
Litigation:				
Communication	59,630	-	-	59,630
Education and licensure	98,067	-	-	98,067
Experts	82,296	-	-	82,296
Travel and meals	227,843	-	-	227,843
Grants passed through	23,250	-	-	23,250
Other	49,424	-	-	49,424
Communications	9,690	1,412	898	12,000
Depreciation	15,228	2,218	1,412	18,858
General insurance	8,310	1,211	770	10,291
Professional services	-	56,501	-	56,501
Operating lease expense and rents	95,389	13,895	8,842	118,126
Repairs	4,575	667	424	5,666
Small equipment	2,399	350	222	2,971
Utilities	6,468	942	600	8,010
Education and outreach	151,041	-	-	151,041
Printing and postage	-	1,351	69,394	70,745
Supplies	-	15,779	170	15,949
Technology	-	-	4,613	4,613
Board expense	-	16,160	-	16,160
Staff development and training	-	973	523	1,496
Office expenses	-	11,615	-	11,615
Other expenses	-	-	16,379	16,379
Total functional expenses	<u>\$ 3,670,554</u>	<u>\$ 536,306</u>	<u>\$ 367,204</u>	<u>\$ 4,574,064</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

		Support Services		
	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 2,245,157	\$ 284,333	\$ 109,274	\$ 2,638,764
Payroll taxes	156,548	19,826	7,619	183,993
Payroll benefits	297,932	37,731	14,501	350,164
Litigation:				
Communication	128,845	-	-	128,845
Education and licensure	98,703	-	-	98,703
Experts	174,597	-	-	174,597
Travel and meals	172,547	-	-	172,547
Other	59,281	-	-	59,281
Communications	9,045	1,145	442	10,632
Depreciation	13,629	1,726	663	16,018
General insurance	7,905	1,001	385	9,291
Professional services	-	11,800	-	11,800
Operating lease expense and rents	106,153	13,443	5,167	124,763
Repairs	3,017	382	147	3,546
Small equipment	2,290	290	112	2,692
Utilities	6,726	852	327	7,905
Education and outreach	109,017	-	-	109,017
Printing and postage	-	-	63,968	63,968
Supplies	-	-	811	811
Technology	-	-	5,348	5,348
Board expense	-	3,187	-	3,187
Staff development and training	-	-	1,847	1,847
Office expenses	-	25,329	-	25,329
Other expenses	-	3,198	8,916	12,114
Total functional expenses	<u>\$ 3,591,392</u>	<u>\$ 404,243</u>	<u>\$ 219,527</u>	<u>\$ 4,215,162</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Organization

Western Environmental Law Center's (WELC) mission is to use the power of the law to safeguard the public lands, wildlife, and communities of the Western U.S. in the face of a changing climate. WELC's fee and reimbursements income consists of legal awards, settlements, and fees from public interest environmental legal cases.

Basis of Accounting

WELC's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of WELC and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Net assets that are not subject to donor-imposed stipulations or restrictions.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the WELC and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Recent Accounting Pronouncements

On January 1, 2023, WELC adopted Accounting Standards Update (ASU) 2016-13 Financial Instruments - Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*, and all related amendments (ASC 326), which replace the incurred loss methodology for recognizing credit losses with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. CECL requires an estimate of lifetime expected credit losses to be recognized for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts, and for the financial assets to be presented at the net amount expected to be collected on the statement of financial position. Financial assets held by WELC that are subject to ASC 326 are trade accounts receivable recognized in accordance with ASC 606. The impact of adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies, continued

Income Tax Status

WELC is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, WELC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). WELC files required informational returns with both the U.S. federal jurisdiction and the state of Oregon.

Cash and Cash Equivalents

WELC's cash and cash equivalents consists of cash on hand, demand deposits, money market accounts, and certificates of deposit with original maturities of three months or less, with multiple financial institutions.

Certificates of Deposit

Certificates of deposit consists of certificates of deposit with an original maturity greater than three months. At December 31, 2023 and 2022, the certificates of deposit were recorded at fair market value. Certificates of deposit are classified between current and non-current assets based on respective maturity dates.

Accounts Receivable and Allowance for Credit Losses

Some of WELC's program services are performed on a contingency fee basis. No interest on receivables is charged unless court ordered. No receivables for services are booked until final settlement is reached. If there is a contractual agreement for WELC to receive payment for fees and/or costs directly from the client, then WELC will book that receivable as it is earned. Management evaluates collectability of receivables on a case-by-case basis based on historical experience, current conditions including the aging of the receivables, and subsequent collections, and may allow for receivables for which management is uncertain of collection. If associated with an active case, those costs may ultimately be recovered through a settlement or court decision. Receivables are written off only after all collection efforts have been exhausted. Receivables are unsecured.

Grants and Contributions Receivable

Grants and contributions receivable are uncollateralized and recognized when the unconditional promises to give are made. Management has assessed the collectability of grants and contributions receivable as of December 31, 2023 and 2022, and considers the amount fully collectible; therefore, management has elected not to record an allowance. Grants and contributions receivable are stated at the amount WELC expects to collect.

Other Receivables

Other receivables consist primarily of accrued interest receivable on certificates of deposit.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies, continued

Property and Equipment

Property and equipment is comprised of equipment and furnishings. Depreciation of equipment and furnishings is provided over the estimated useful lives, using the straight-line method. Purchased assets are recorded at historical cost. Donated assets are recorded at fair value at date of contribution. Additions, betterments, and replacements are capitalized. Expenditures for normal maintenance and repairs and replacements are charged to expense as incurred.

Leases

WELC determines if an arrangement is or contains a lease at inception. Operating leases, wherein WELC is the lessee, are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. WELC does not report ROU assets and leases liabilities for its short-term non-building leases (leases with a term of 12 months or less). WELC's accounting policy is to not separate non-lease components and lease components when determining ROU assets and lease liabilities for all asset classes. WELC has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments for all asset classes.

Revenue Recognition

Grants and contributions are recognized as revenue when the contribution or grant is promised or made and are recorded as support that is either with or without donor restrictions. Classification is based on the existence and nature of any donor restrictions imposed on the contribution. Support that is restricted by the donor is reported as restricted revenues and is released to net assets without donor restrictions when the restriction is met.

Service fees and reimbursement revenue is recognized when the related services have been rendered by WELC and/or the case settlement is awarded by the court system which is considered satisfaction of the performance obligation. There is no variable consideration under such contracts. Fee and reimbursement revenue is considered to be without donor restrictions.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited using direct costs to determine an overhead rate for the allocation.

Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

2. Liquidity and Availability of Resources

WELC has a policy to manage its liquidity and reserves in order to meet its needs to fund operating expenditures. At December 31, 2023 and 2022, WELC's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,193,938	\$ 1,430,330
Receivables	767,803	1,330,130
Certificates of deposit, short-term	<u>3,745,642</u>	<u>3,229,570</u>
Financial assets	5,707,383	5,990,030
Less amounts not available for general expenditure within one year:		
Amounts with donor-imposed restrictions	(835,152)	(2,112,527)
Board designated reserve	<u>(1,853,752)</u>	<u>(1,254,855)</u>
Financial assets available for general expenditure within one year	<u>\$ 3,018,479</u>	<u>\$ 2,622,648</u>

The Board of Directors has designated a portion of WELC's net assets without donor restrictions to be reserved for three purposes: to provide for WELC's operations in the event of a revenue shortfall, to create a means to fund special projects that are not otherwise funded, and to contribute to the beneficial interest in the assets of community foundations or another revenue-generating tool for WELC. WELC has a reserve fund management policy that outlines the investment policy for the reserve fund, which is to invest in low-risk, high yield, socially responsible investments, and the method by which contributions and withdrawals are made to and from the reserve. The board designated funds are held in savings and money market accounts and certificates of deposit.

3. Accounts Receivable

As of December 31, 2023 and 2022, accounts receivable consisted primarily of fees from legal actions and contracted services. Management periodically evaluates the collectability of receivables. Management considers the amounts fully collectible; therefore, no allowance for credit losses have been recorded. Receivables are written-off as uncollectible when all avenues for collection have been exhausted.

As of December 31, accounts receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
Fees and settlements from legal actions	\$ 19,162	\$ 40,743
Contracted services	<u>22,000</u>	<u>16,500</u>
Total accounts receivable	<u>\$ 41,162</u>	<u>\$ 57,243</u>

Beginning of year accounts receivable balances were \$57,243 and \$126,683 at January 1, 2023 and 2022, respectively.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

4. Funds Held in Trust

WELC maintains separate bank accounts for funds held in trust. These funds are mostly comprised of attorney retainers and fee recoveries. These funds are held in trust until they are distributed to the appropriate parties.

5. Concentration of Deposit and Credit Risk

WELC maintains cash and cash equivalents balances that at times exceed the Federal Deposit Insurance Corporation (FDIC) depository insurance limit of \$250,000 and/or the Securities Investor Protection Corporation (SIPC) insurance limits of \$500,000. At December 31, 2023 and 2022, WELC's cash and cash equivalent balances exceeded insurance limits by \$-0- and \$500,049, respectively.

WELC has accounts receivable from various parties under the terms of contracts and settlement agreements. At December 31, 2023, 53.45 percent of the total accounts receivable balance was due from one organization. At December 31, 2022, 98.70 percent of total accounts receivable balance was due from two organizations.

At December 31, 2023, 37.44 percent of the total grants and contributions receivable balance was due from two parties. At December 31, 2022, 73.60 percent of the total grants and contributions receivable balance was due from three parties.

6. Beneficial Interest in the Assets of Community Foundations

In 2007, a board designated endowment fund (OCF Fund) was established at the Oregon Community Foundation (OCF). The OCF Fund is used by OCF as the source of unrestricted grants for WELC. The agreement with OCF stipulates that the OCF Fund shall be held and owned by OCF. OCF may distribute, on an annual basis, a fixed percentage of the Fund assets. The percentage is determined by the Board of Directors of OCF. The agreement also provides that, upon written request from a majority of the Board of Directors of OCF, additional distributions may be made from the Fund assets, even to the exhaustion of the OCF Fund.

The following schedule summarizes the activity of the OCF Fund, reported at fair value, for the years ended December 31:

	2023	2022
Interest and dividends	\$ 440	\$ 242
Realized gains	4,960	201
Unrealized gains (loss)	2,592	(11,221)
Investment management fees	(127)	(121)
OCF fees	(249)	(251)
Net change	7,616	(11,150)
Beginning balance	46,921	58,071
Ending balance	\$ 54,537	\$ 46,921

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

6. Beneficial Interest in the Assets of Community Foundations, continued

In 2022, a board designated endowment fund (SVCF Fund) was established at the Silicon Valley Community Foundation (SVCF). The SVCF Fund is used by SVCF as the source of unrestricted grants for WELC. The agreement with SVCF stipulates that the SVCF Fund shall be held and owned by SVCF. SVCF may distribute, on an annual basis, a fixed percentage of the Fund assets. The percentage is determined by the Board of Directors of SVCF. The agreement also provides that, upon written request from a majority of the Board of Directors of SVCF, additional distributions may be made from the Fund assets, even to the exhaustion of the SVCF Fund.

The following schedule summarizes the activity of the SVCF Fund, reported at fair value, for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Contributions by WELC	\$ -	\$ 10,000
Interest and dividends	96	-
Realized gains (loss)	(11)	(193)
Unrealized gains (loss)	921	-
SVCF fees	<u>(354)</u>	<u>(83)</u>
Net change	652	9,724
Beginning balance	<u>9,724</u>	<u>-</u>
Ending balance	<u>\$ 10,376</u>	<u>\$ 9,724</u>

7. Net Assets

As of December 31, net assets with donor restrictions were available for:

	<u>2023</u>	<u>2022</u>
Litigation and grant programs	<u>\$ 835,152</u>	<u>\$ 2,112,527</u>

8. Lease Commitments as Lessee

Certain WELC lease agreements include variable payments based on actual future costs to be incurred and others include payments adjusted periodically for inflation. As these future payments are not determinable at the lease commencement, they are not included in the measurement of the lease asset and liabilities. WELC's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Some of WELC's leases include one or more options to renew. Only lease options that WELC believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

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8. Lease Commitments as Lessee, continued

Information about WELC's leases as of and for the years ended December 31, are as follows:

	<u>2023</u>	<u>2022</u>
Components of lease cost:		
Operating lease cost	\$ 98,809	\$ 117,899
Variable lease cost	6,973	5,514
Short-term lease cost	<u>12,344</u>	<u>1,350</u>
Total lease cost	<u>\$ 118,126</u>	<u>\$ 124,763</u>
Cash flow information:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	<u>\$ (97,743)</u>	<u>\$ (124,452)</u>
Right-of-use lease assets obtained in exchange for lease liabilities:		
Operating leases	<u>\$ 140,166</u>	<u>\$ 272,762</u>
Summary of lease-related assets and liabilities:		
Operating lease right-of-use assets	\$ 358,694	\$ 218,528
Accumulated amortization	<u>(155,117)</u>	<u>(61,185)</u>
Operating lease right-of-use assets, net	<u>\$ 203,577</u>	<u>\$ 157,343</u>
Current operating lease liabilities	\$ 97,422	\$ 68,376
Noncurrent operating lease liabilities	<u>108,778</u>	<u>90,523</u>
Total operating lease liabilities	<u>\$ 206,200</u>	<u>\$ 158,899</u>
Weighted-average remaining lease term:		
Operating leases	2.4 years	2.7 years
Weighted-average discount rate:		
Operating leases	2.97%	1.41%

Future minimum lease payments under the non-cancelable lease agreements are as follows:

<u>Year Ended December 31,</u>	
2024	\$ 101,771
2025	65,436
2026	38,817
2027	7,567
2028	-
Thereafter	<u>-</u>
Total future undiscounted	213,591
Less: interest	<u>(7,391)</u>
Present value of lease liabilities	<u>\$ 206,200</u>

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9. Concentrations of Revenue Sources

For the year ended December 31, 2023, 56.31 percent of the total grants came from five grantors which comprised 19.68 percent of total revenues, gains, and other support. For the year ended December 31, 2022, 55.67 percent of the total grants came from four grantors which comprised 32.45 percent of total revenues, gains, and other support. For the year ended December 31, 2023, 28.82 percent of the total contributions came from three donors which comprised 8.26 percent of total revenues, gains, and other support. For the year ended December 31, 2022, 15.71 percent of the total contributions came from two donors which comprised 3.04 percent of total revenues, gains, and other support.

10. Fair Value of Financial Instruments

U.S. GAAP provides the framework for measuring fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability; in the absence of a principal market, the most advantageous market. WELC classifies certain of its assets and liabilities based upon the established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that WELC has the ability to access at the measurement date;
- Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

Certificates of deposit held in brokerage account: Valued using quoted market prices for identical assets in inactive markets, which is considered a Level 2 input.

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10. Fair Value Measurement, continued

Money market funds held in brokerage account: Valued using quoted market prices for identical assets in inactive markets, which is considered a Level 2 input.

Beneficial interest in the assets of community foundations: Valued at the beneficial interest in assets held at the fair value of WELC's share in the investment pool as of the measurement date. The investment pool is based on quoted net asset values of underlying investments held by the investment pool adjusted by a net asset charge. The investment pool holds investments valued with all three levels of inputs; therefore, the financial instrument is categorized within the valuation hierarchy using Level 3 inputs, the lowest level input significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, WELC's assets at fair value as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 3,745,642	\$ -	\$ 3,745,642
Money market funds	-	256,056	-	256,056
Beneficial interest in the assets of SVCF	-	-	10,376	10,376
Beneficial interest in the assets of OCF	-	-	54,537	54,537
Total fair value assets measured on a recurring basis	<u>\$ -</u>	<u>\$ 4,001,698</u>	<u>\$ 64,913</u>	<u>\$ 4,066,611</u>

The following table sets forth by level, within the fair value hierarchy, WELC's assets at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Certificate of deposit	\$ -	\$ 3,714,663	\$ -	\$ 3,714,663
Money market funds	-	814,435	-	814,435
Beneficial interest in the assets of SVCF	-	-	9,724	9,724
Beneficial interest in the assets of OCF	-	-	46,921	46,921
Total fair value assets measured on a recurring basis	<u>\$ -</u>	<u>\$ 4,529,098</u>	<u>\$ 56,645</u>	<u>\$ 4,585,743</u>

11. Defined Contribution Pension Plan

Effective April 1, 2011, WELC sponsored a 401(k) deferred compensation plan, with a safe harbor plan. Effective January 1, 2016, the plan was amended to include employer matching contributions. During the years ended December 31, 2023 and 2022, WELC contributed \$103,443 and \$91,833, respectively, to the plan as employer matching contributions.

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12. Contingencies

WELC has elected to self-insure for unemployment in Oregon. The contingent liability is not subject to measurement. In 2023 and 2022, there were four and two former employees who had been separated from service and were within the unemployment look back period, respectively. The State of Oregon Employment Department required WELC to hold separately an unemployment reserve with a minimum balance of \$10,443 at December 31, 2023 and 2022, respectively.

13. Compensated Absences

WELC accrues earned vacation time. The amount payable at December 31, 2023 and 2022, was \$77,087 and \$93,075, respectively. WELC has a sabbatical program under which employees can earn three months of paid leave every five years of employment. No amount is accrued for sabbatical time as the liability is not subject to reasonable estimation.

14. Credit Card Lines of Credit

Certain WELC employees use WELC credit cards for organizational expenses. At December 31, 2023 and 2022, the combined balance on these cards was \$20,790 and \$10,053, respectively. As of December 31, 2023 and 2022, the combined available credit on all the cards was \$19,210 and \$29,947, respectively. At December 31, 2023 and 2022, there were credit cards being held by 20 and 27 employees, respectively.

14. Subsequent Events

In May 2024, WELC entered into a 12 month lease agreement for office space. The lease includes an option to renew which WELC believes it's reasonably certain to exercise. The lease asset and liability related to this lease is \$41,673.

In June 2024, WELC entered into a 59 month lease agreement for office space. The lease asset and liability related to this lease is \$95,942.

15. Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. Such reclassifications had no impact on previously reported net assets and change in net assets.